

# CHECK\$ and BALANCE\$

Quarterly Newsletter



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## 5 Reasons Why It's Crazy for Businesses to Write Checks

by Rob Unger

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Remember the "Jetsons" cartoon when George Jetson took his dog Astro out for a walk on the space treadmill? Yikes! He got sucked up into a never-ending, out-of-control spin cycle, screaming, "Jane, stop this crazy thing!"

Similarly, many businesses are stuck on the check-writing treadmill, and the spin cycle is cranking out an unfathomable 20 million commercial checks each day. Businesses, stop this crazy check thing!

**Here are five reasons why it's crazy for businesses to write checks:**

1. Fraudsters love checks more than any other payment type. There is a lot of information printed on checks, and businesses write a lot of checks, so checks are an easy target for forgery and theft. Checks continue to be the primary target of payment fraud, according to the Association of Financial Professionals, citing that 81% of respondents to their latest Payments Fraud survey reported being targeted— or experiencing—actual check fraud attempts. (Spoiler alert—ACH payments have the lowest fraud rate.)
2. If you experience check fraud or make a mistake (like pay an incorrect payee or amount) on a check payment, say "bye-bye" to your funds if that check gets cashed; you have no administrative recourse to reclaim funds. (Spoiler alert—you have protections against unauthorized ACH withdraws to your bank account and there are opportunities to get your money back in the event you make an incorrect ACH payment.)



**BUSINESS CHECKING**

Your small business has big needs. Take care of them with an account that features 1,000 free monthly transactions.

3. Checks cost your company more than any other payment type by far but check printers never send a “thank you” note for funding them and paying more than needed. (Spoiler alert—ACH is a much lower payment cost option.)
4. Have you ever had to make a rush or an emergency payment? Delivering that check by expedited service or courier costs a good chunk of change, and expedited delivery services don’t send “thank you” notes either! (Spoiler alert—you can make a rush payment today using Same Day ACH at a fraction of the cost of expedited delivery services.)
5. Managing cash flow is a critical function, but in today’s low interest environment, and with the option for check receivers to image checks for quicker settlement, there is really no float benefit, like in the good old days. And wouldn’t you like to know precisely when that check will clear to help manage your cash position? (Spoiler alert—ACH payments give better insight into cashflow, providing precise payment settlement times.)
6. Bonus reason why it’s crazy for businesses to write checks: in the wake of COVID-19 and changes to protocols, many businesses are working remotely and issuing checks has been even more difficult. In NACHA’s 2020 Industry Survey, businesses resorted to creative check issuing, like “drive-by” check approvals to maintain proper distancing. Another business had to shut down the office after a technician serviced a malfunctioning check printer because the tech later discovered he had COVID-19. (Spoiler alert — businesses with established ACH payment programs have fared much better during the pandemic.)

As the hints suggest, ACH payments provide clear benefits compared to check payments. If your company currently does not send ACH payments to vendors/suppliers, you can contact your financial institution for recommendations on how to get started with sending ACH payments.

Or you can allow your trusted vendor/ supplier to pull the funds from your account, where you don’t have to do anything except provide the company routing and account number. Consumers are very familiar with the various names’ companies call this option (e.g., Direct Payment, Auto Pay, Simple Pay, Easy Pay, Sure Pay, Recurring Debit, etc.).

Now, I hear from a lot of B2B accounts payable types, who say that’s fine for consumers, but their companies are uncomfortable with allowing the company bank accounts to be debited for invoice payments. But that’s what a check does! And checks are crazy (see above).

#### ACH Resources

NACHA has numerous resources to help businesses better understand the benefits and best practices for ACH payments:

- ACH in the Community – Learn the benefits of ACH for businesses, nonprofits and religious organizations.
- Quick Start Guide - A tool for your business to learn how to pay or get paid electronically using ACH.

If you’re interested in ACH, work with your financial institution to explore your available options.

## But What If There’s Bad News?

by Shelly Sipple

The COVID-19 pandemic forced businesses and consumers alike to drastically change how they make payments. Contactless payment methods, like ACH, have grown significantly over the past several years. In fact, ACH payment processing in 2022 has accelerated and is outpacing activity from a year ago. Perhaps your business has also increased its usage of ACH payments in recent years.

Initiating ACH payments is simple – sign up for ACH origination services with your financial institution; obtain authorizations from employees, consumers or businesses to credit or debit their accounts; create your file of ACH entries, then upload it to your financial institution for processing into the ACH Network. From there, it’s “automagically” posted to the recipient’s account. But is that always the case?

The ACH Network operates on a “no news is good news” principle. That is, receiving financial institutions may post payments based solely on the account number contained within the entry. Therefore, your company will not receive any confirmation regarding payment processing and may assume all went as expected. However, you will be alerted if there is bad news; that is, when there are issues processing the payment. In these situations, receiving financial institutions may send a Notification of Change (NOC) related to the payment or return the entry.

So, how do you respond to this bad news? It depends on whether an NOC is received, or the payment has been returned.

### Receipt of a Notification of Change (NOC)

If the receiving institution can determine whose account the payment should be posted to, they will process it and send an NOC to your financial institution identifying erroneous information (e.g., wrong account number) and provide corrected data. You must make the specified change(s) related to a recurring payment within six business days of receipt or prior to initiating another entry, whichever is later. You may choose to confirm corrected data with the payment recipient first; however, this does not change the timeframe in which to make the update.

### Receipt of a Return Entry

If the receiving institution returns the payment, they will identify the reason for the return. Information related to returned payments will also be communicated to you by your financial institution as outlined in your origination agreement. There are several valid return reasons, and appropriate action should be taken depending on the reason. Let's look at the most common return reasons along with your next steps.

- Administrative returns are entries that cannot be posted due to an invalid account number, account closure or the inability to locate the account. You should contact the recipient to obtain new account information before reinitiating the payment.
- Debit entries may be returned for insufficient funds. You may attempt to collect by reinitiating the payment up to two times. Consider timing payments on a payday to increase your chances of collecting. You may also ask your financial institution if they offer a service whereby reinitiating the payment is done automatically on your behalf.
- Recipients may request a debit payment be stopped by their financial institution. For these returned payments, contact the recipient to determine the reason for the stopped payment and only reprocess if authorized to do so.
- Debit entries may be disputed by the recipient because the payment was not processed according to the terms of the authorization (e.g., wrong dollar amount, debit date earlier than agreed upon). You should review the authorization and initiate a new entry to correct the underlying error.
- A debit payment may also be returned because the recipient claims it was not authorized. If you did not obtain authorization before sending the debit, then you must do so prior to initiating a new entry. However, if authorization was in place, you must resolve the issue directly with the recipient.

So, the bad news isn't all that bad if you know how to handle it! Reach out to your financial institution if you have any questions related to ACH payment processing. They are, after all, your payments experts!

You can also visit EPCOR's Corporate User Webpage at [epcor.org/corporateuser](http://epcor.org/corporateuser) for more helpful resources and information.

## Business Fraud Prevention Tool

Small businesses assume scammers will only target the big corporates, but fraud losses have proven that scammers will target any size business. Businesses of all sizes need to stay vigilant when it comes to fraud. Really, it is the smaller businesses that need to be more alert as 1/3 of these businesses experience at least one fraud attempt annually! Putting effective fraud prevention measures in place and proper employee education is crucial for any size business to combat fraud. Education and vigilance are where fraud prevention begins.

Visit [epcor.org/corporateuser](http://epcor.org/corporateuser) for helpful free resources, including our NEW one-page, easily-digestible business fraud prevention document which provides ways to prevent payments fraud in your business.

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